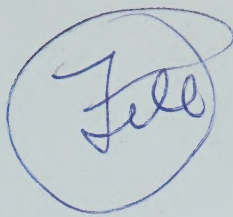


AR25

General
Bakeries
Limited



Annual Report
for the year
ended April 5
1967





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**General
Bakeries
Limited**
**Annual Report
for the year
ended April 5
1967**

EXECUTIVE OFFICES

170 THE DONWAY WEST

DON MILLS, ONTARIO

General Bakeries Limited

Directors

Christie T. Clark—Toronto

J. C. P. Conrad—Toronto

Member of the Executive Committee

J. M. R. Corbet—Toronto

T. G. Gedge—Toronto

J. William Horsey—Toronto

Member of the Executive Committee

Edwin C. McDonald—New York

John A. McDougald—Toronto

Chairman of the Executive Committee

J. Ernest Savard—Montreal

S. R. Saxby—Montreal

J. P. Walwyn—Toronto

Officers

J. William Horsey—*Chairman of the Board*

J. C. P. Conrad—*President*

R. J. Langley—*Vice-President—Sales*

T. G. Gedge—*Vice-President and Secretary-Treasurer*

F. R. Filion—*Vice-President—Industrial Relations*

Auditors

Thorne, Gunn, Helliwell & Christenson, Toronto

Solicitors

Fraser, Beatty, Tucker, McIntosh & Stewart, Toronto

Registrar & Transfer Agent

Crown Trust Company, Toronto, Montreal and Vancouver

Bankers

Canadian Imperial Bank of Commerce

Banque Canadienne Nationale

The Bank of Nova Scotia

Financial Highlights

	1967	1966
Net income for year - - - - -	\$ 419,166	\$ 629,463
Equal per share to - - - - -	.56	.84
Dividends declared - - - - -	187,500	187,500
Equal per share to - - - - -	.25	.25
Shareholders' equity - - - - -	4,802,039	4,570,373
Equal per share to - - - - -	6.40	6.09
Equity capital invested		
Working capital - - - - -	468,191	517,379
Special refundable tax- - - - -	45,788	—
Fixed assets, less accumulated depreciation -	4,657,059	4,492,993
Goodwill - - - - -	1	1
	5,171,039	5,010,373
Deduct:		
Term debt - - - - -	225,000	300,000
Deferred income taxes - - - - -	144,000	140,000
	\$4,802,039	\$4,570,373
Gross expenditures for fixed assets during year -	\$ 837,636	\$1,153,951

Report to the Shareholders

for the year ended April 5, 1967

During the year General Bakeries produced and sold more baked goods than ever before. In spite of this improved sales performance, consolidated net income for the year dropped from \$629,463 to \$419,166. On a per share basis the comparison is 84 cents last year and 56 cents this year.

The increase in dollar sales, while substantial, was not sufficient to cover the increased costs of operation. We had anticipated higher operating costs this year; however they far exceeded our estimates.

Flour is one of the most important ingredients to a bakery—it is over 70% of the ingredient cost of bread and 49% of our overall total costs of ingredients. The company's flour bill for this year was \$460,000 more than last year. As you are aware the price of flour is directly related to the cost of wheat. It is worthwhile noting here that the recent world wheat agreement will eventually affect your company's production costs even more. I am not suggesting that wheat and hence flour prices will increase dramatically right away but I do think we can consider ourselves placed on warning.

Strong wage demands throughout the industry as a whole substantially increased production costs. The demands made on this company followed the industry pattern. While we made a special effort to contain our production costs by increasing productivity wherever possible, nevertheless our total payroll increased by \$779,000 of which the major portion is direct labour.

Increased costs without compensating price increases are reflected in the net profit for this year.

The past year was another successful one for the overall Canadian economy, however certain segments of the food

industry did not share in this prosperity. The year could be described as one of the poorest in many years for the baking business. Your company is one of many operating in a depressed price market resulting from the severe competition going on among the corporate and voluntary chains together with large independent supermarkets. This climate is the direct result of the proceedings of the Special Joint Committee of the Senate and House of Commons on Consumer Credit. Bread, for example, is being featured and sold at price levels existing over fifteen years ago. In an affluent society even though bread no longer has the same intrinsic importance it once had, its price nonetheless carries considerable significance.

Immediately following the close of the fiscal year, the company's four Western Divisions located at Winnipeg, Brandon, Calgary and Vancouver were sold. These divisions were not currently profitable and the state of the market indicated no improvement could be expected. The West suffers from excessive baking capacity with high unit production costs. Large amounts of capital would be required to contend with these conditions and it is doubtful if a satisfactory return could be earned.

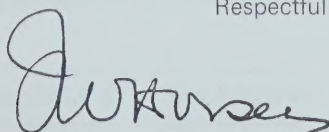
Last October the City of Toronto officially expropriated the

company's Toronto plant. While it is much too soon to elaborate on this unexpected turn of events, I can state that plans to relocate were immediately initiated and are well under way. To provide a suitable replacement for this important plant will, of course, eventually require substantial capital investment.

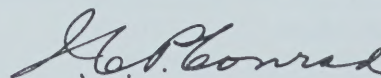
Looking ahead for the coming year we foresee continued sales growth for the company but we cannot expect that the burden of increasing operating costs especially flour and labour will be any less severe. In the face of these continuing increased costs it is unrealistic to expect the price of bakery products to remain depressed. There are three factors at present influencing prices.—(1) economics (2) abnormal market conditions (3) the business climate following the Ottawa hearings. Providing prices can be determined in a normal market environment where economics is the sole determining factor and there is no interference from other sources, we are confident that next year's results will more accurately reflect the uninterrupted growth of the company.

May I take this opportunity to especially thank our employees, our customers and our shareholders for their continued support which is so vital to the progress of the company.

Respectfully submitted on behalf of the Board of Directors.



Chairman of the Board



President

May 19, 1967.

General Bakeries Limited INCORPORATED UNDER THE LAWS OF ONTARIO and subsidiary companies Consolidated

<i>Assets</i>		1967	1966
CURRENT ASSETS			
Cash - - - - -		\$ 408,576	\$ 474,034
Accounts receivable, less allowance for doubtful accounts - -		943,443	855,695
Inventories at lower of cost and net realizable value - - -		914,365	843,412
Prepaid expenses - - - - -		105,340	102,391
TOTAL CURRENT ASSETS - - - - -		2,371,724	2,275,532
SPECIAL REFUNDABLE TAX - - - - -		45,788	
FIXED ASSETS, AT COST			
Land - - - - -		439,491	439,105
Buildings, machinery, delivery and other equipment - - - -		11,162,109	10,604,277
		11,601,600	11,043,382
Less accumulated depreciation - - - - -		6,944,541	6,550,389
		4,657,059	4,492,993
GOODWILL - - - - -		1	1
Approved on behalf of the Board			
JOHN A. McDOUGALD, <i>Director</i>			
J. WILLIAM HORSEY, <i>Director</i>			
		\$ 7,074,572	\$ 6,768,526

The accompanying notes are

AUDITORS' REPORT

To the Shareholders of
GENERAL BAKERIES LIMITED

We have examined the consolidated balance sheet of General Bakeries Limited and subsidiary companies as at April 5, 1967 and the statements of income, earnings retained in the business and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

ed Balance Sheet, April 5, 1967 (WITH COMPARATIVE FIGURES AS AT APRIL 6, 1966)

<i>Liabilities</i>		1967	1966
CURRENT LIABILITIES			
Accounts payable and accrued liabilities - - - - -		\$1,838,385	\$1,631,169
Dividend payable - - - - -		46,875	46,875
Income taxes payable - - - - -		18,273	80,109
TOTAL CURRENT LIABILITIES - - - - -		1,903,533	1,758,153
TERM BANK LOAN - - - - -		225,000	300,000
DEFERRED INCOME TAXES (see note) - - - - -		144,000	140,000
		<u>2,272,533</u>	<u>2,198,153</u>

<i>Shareholders' Equity</i>			
CAPITAL STOCK			
Authorized			
50,000 preference shares of \$10 par value			
1,500,000 common shares of no par value			
Issued			
750,000 common shares - - - - -		1,034,750	1,034,750
EARNINGS RETAINED IN THE BUSINESS - - - - -		3,767,289	3,535,623
		<u>4,802,039</u>	<u>4,570,373</u>
		<u>\$7,074,572</u>	<u>\$6,768,526</u>

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In our opinion the aforementioned consolidated financial statements present fairly the financial position of the companies as at April 5, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada, May 10, 1967

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

General Bakeries Limited and subsidiary companies

Consolidated Statement of Income

YEAR ENDED APRIL 5, 1967 (with comparative figures for year ended April 6, 1966)

	1967	1966
Operating profit before the following items - - - - -	\$1,194,680	\$1,699,074
Depreciation - - - - -	670,468	636,530
Directors' fees - - - - -	5,000	5,000
Interest on long-term indebtedness - - - - -	13,841	10,273
	689,309	651,803
Income before undernoted items - - - - -	505,371	1,047,271
Profit on disposal of fixed assets - - - - -	14,795	6,192
	520,166	1,053,463
Taxes on income (see note) - - - - -	101,000	424,000
NET INCOME FOR YEAR - - - - -	\$ 419,166	\$ 629,463

Consolidated Statement of Earnings Retained in the Business

YEAR ENDED APRIL 5, 1967 (with comparative figures for year ended April 6, 1966)

	1967	1966
Balance at beginning of year - - - - -	\$3,535,623	\$3,093,660
Net income for year - - - - -	419,166	629,463
	3,954,789	3,723,123
Dividends declared - - - - -	187,500	187,500
BALANCE AT END OF YEAR - - - - -	\$3,767,289	\$3,535,623

General Bakeries Limited and subsidiary companies

Consolidated Statement of Source and Use of Funds

YEAR ENDED APRIL 5, 1967 (with comparative figures for year ended April 6, 1966)

SOURCE OF FUNDS	1967	1966
By operations		
Net income for year - - - - -	\$ 419,166	\$ 629,463
Add		
Depreciation, which does not involve an outlay of funds -	670,468	636,530
Provision for deferred income taxes - - - - -	4,000	39,000
	1,093,634	1,304,993
Book value of fixed asset disposals - - - - -	3,102	11,208
	1,096,736	1,316,201
USE OF FUNDS		
Additions to fixed assets - - - - -	837,636	1,153,951
Dividends declared - - - - -	187,500	187,500
Decrease in term bank loan - - - - -	75,000	150,000
Special refundable tax - - - - -	45,788	
	1,145,924	1,491,451
DECREASE IN WORKING CAPITAL - - - - -	49,188	175,250
Working capital at beginning of year - - - - -	517,379	692,629
WORKING CAPITAL AT END OF YEAR - - - - -	\$ 468,191	\$ 517,379
Current assets - - - - -	\$2,371,724	\$2,275,532
Current liabilities - - - - -	1,903,533	1,758,153
	\$ 468,191	\$ 517,379

Notes to Consolidated Financial Statements

YEAR ENDED APRIL 5, 1967

1. INCOME TAXES

Taxes on income for the year have been reduced as a result of the application of prior years' losses of subsidiary companies.

The company claims accelerated capital cost allowances under tax incentive legislation. The resultant tax savings, based on the additional available capital cost allowance have not been reflected in the statement of income but have been credited to "Deferred income taxes". The taxes so deferred will be brought into income in future years when total allowances for tax purposes may be less than the depreciation provisions recorded in the accounts.

2. SALE OF ASSETS

Under agreement dated April 6, 1967 the company sold all the assets of its bakery businesses in western Canada for approximately \$1,085,000 cash, which is in excess of net book value.

General Bakeries Limited and subsidiary companies Ten Year Financial Record

	1967	1966	1965	1964
OPERATIONS				
Net income for year - - - - \$	419,166	\$ 629,463	\$ 602,040	\$ 501,324
Equal per share to* - - - -	.56	.84	.80	.67
Dividends declared - - - -	187,500	187,500	159,375	125,000
Equal per share to* - - - -	.25	.25	.21½	.17
FINANCIAL POSITION				
Current assets - - - - -	2,371,724	2,275,532	2,067,185	2,086,495
Current liabilities - - - - -	1,903,533	1,758,153	1,374,556	1,567,198
Working capital - - - - -	468,191	517,379	692,629	519,297
Special Refundable Tax - - -	45,788	—	—	—
Fixed assets—less accumulated depreciation - -	4,657,059	4,492,993	3,986,780	3,906,447
Total assets - - - - -	7,074,572	6,768,526	6,053,966	5,992,943
Term bank loan- - - - -	225,000	300,000	450,000	700,000
First mortgage serial bonds - -	—	—	—	40,000
Deferred income taxes - - - -	144,000	140,000	101,000	—
Shareholders' equity - - - -	4,802,039	4,570,373	4,128,410	3,685,745
Equal per share to* - - - -	6.40	6.09	5.50	4.91

*Per share figures are adjusted to reflect three-for-one stock split effective July 2, 1964.

1963	1962	1961	1960	1959	1958
\$ 361,495	\$ 302,078	\$ 240,975	\$ 251,486	\$ 239,832	\$ 203,005
.48	.40	.32	.33	.32	.27
100,000	100,000	100,000	87,500	75,000	75,000
.13	.13	.13	.12	.10	.10
1,926,094	1,683,492	1,549,053	1,677,575	1,484,379	1,195,262
1,503,159	1,419,994	1,314,902	1,236,106	1,183,155	717,693
<u>422,935</u>	<u>263,498</u>	<u>234,151</u>	<u>441,469</u>	<u>301,224</u>	<u>477,569</u>
—	—	—	—	—	—
3,766,485	3,804,427	3,661,696	3,713,403	3,829,662	2,678,485
5,692,580	5,487,920	5,210,750	5,390,979	5,314,042	3,873,748
800,000	900,000	890,000	1,250,000	1,350,000	500,000
80,000	120,000	160,000	200,000	240,000	280,000
—	—	—	—	—	—
3,309,421	3,047,926	2,845,848	2,704,873	2,540,887	2,376,055
4.41	4.06	3.79	3.61	3.39	3.17

General Bakeries Limited and subsidiary companies

Mammy's Limited

The Walker Bakeries Limited

General Bakeries (N.B.), Limited

O'Malley's Limited

The Marra's Bread Limited

Ellenzweig Bakery Co. Limited

Plants and Offices

St. John's

Dartmouth

Saint John

Montreal

Ottawa

Brockville

Toronto

Hamilton

Amherstburg

Executive Offices

170 The Donway West

Don Mills, Ontario

General Bakeries has a single

purpose . . . the production

of the finest quality

bread and bakery

products . . . the consistent

development of high standards

of baking procedure and

bakery service for the benefit

of Canadians in the territories

served by your company.

